



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



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May 16, 1988

Law and Legislation Committee
of the City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Support for State Low Income Housing Bonds
Legislation; SB 1692, SB 1693, and SB 2032

SUMMARY

This is a response to a request by Councilmember Kim Mueller for a report on SB 1692 and SB 1693. These bills plus AB 2032 will give voters the opportunity to approve \$600 million in state general obligation bond financing for low income housing and the homeless over the next two years. Funds will be channeled through state housing programs which this Agency has successfully utilized in the past. A suggested letter of support for Proposition 77, the first of three approved state housing bond issues is attached.

BACKGROUND

A. Legislative History

SB 1692, SB 1693 and AB 2032 are potentially the most significant package of housing legislation ever enacted in California; provided of course that the \$600 million in state general obligation bonds authorized by these bills is in fact approved by the voters. SB 1692 and SB 1693, introduced by Senators Roberti and Leroy Greene, are actually a single proposal. The first makes minor changes to existing state housing programs and establishes two new ones, the Family Housing Demonstration Program and the Roberti-Greene Home Purchase Assistance Program. The second is a bill to have general obligation bond issues to fund these programs placed before the voters. The significance of this two-bill approach is that it will later be possible to modify the housing programs without seeking voter approval.

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AB 2032 (originally AB 2792), by Assembly Speaker Willie Brown, began as a proposal to rehabilitate earthquake damaged structures through a new program. This bill was amended, among other things, to provide that funds not used to repair earthquake damage can be used for deferred payment rehabilitation loans, and existing HCD program, and to reserve a portion of funding for this later purpose.

The Roberti-Greene proposal was initially sized at \$800 million. AB 2032 was sized at \$250 million. The bills were merged into a single \$600 million two-year bond package through negotiations between the legislative branches and the Governor. A summary of the size, purpose and timing of the bond issues follows:

BOND AMOUNTS BY ISSUE DATE AND USE (In Millions)

USE	JUNE 88 (Prop 77)	NOV. 88	NOV. 89	TOTAL
Rental Housing Construction	\$	\$ 200	\$ 100	\$ 30
Seismic Rental Rehab (New)	80			80
Deferred Payment Rehab	70			70
First Time Home Buyers (New)		25	25	50
Residential Hotel Purchase & Rehab		25	15	40
Emergency Shelter		25	10	35
Family Rental Housing (New)		15		15
Farm Labor Housing		10		10
Total	\$ 150	\$ 300	\$ 150	\$ 600

B. State Housing Programs Summary

The following is a brief summary of state housing programs listed above:

1. The Rental Housing Construction Program (RHCP) provides 30-year, 0-3% interest, deferred payment loans for the development of rental housing for low and very low income families, the elderly and the handicapped, in rural and urban areas. Eligible loan recipients include private developers, nonprofits and public agencies.

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2. The Deferred Payment Rehabilitation Loan Program (DPRLP) provides 5-year renewable loans at 3% interest for the rehabilitation of owner occupied housing for low and moderate income households and rental housing and residential hotels for low and very low income households. The money passes through public agencies and nonprofits which lend the money to eligible property owners.
3. The Special User Housing Rehabilitation Program (SUHRP) provides 30-year, deferred payment, 3% interest loans for the acquisition and/or rehabilitation of rental housing for low and very low income elderly and handicapped persons, or residential hotels for low and very low income persons.
4. The Emergency Shelter Program (ESP) provides grants to local government and nonprofit agencies for the acquisition and/or rehabilitation of buildings for emergency shelters for homeless people and provides funds for administrative costs. This bill increases the maximum grant award under this program from \$250,000 to \$500,000.
5. The Family Housing Demonstration Program (FHDP) is a new program established in the Department of Housing and Community Development. It provides loans for the construction, acquisition and/or rehabilitation of community housing developments and congregate housing at 3% interest for 30 years with deferred payments. Community housing developments are defined as 20 or more rental or cooperative units on one or more sites made up of three components: housing, supportive services, and jobs. Congregate housing is defined as a new or rehabilitated large multibedroom structure in which two to ten households share common living areas, child care, cleaning, cooking and other household responsibilities.
6. The Roberti-Greene Home Purchase Assistance Program is a new program in the California Housing Finance Agency (CHFA) to assist first-time homebuyers by offering interest rate subsidies or deferred payment second mortgage loans to reduce housing payments on homes financed by CHFA, or the Department Veterans Affairs (DVA). Purchase assistance includes an interest rate subsidy to reduce the interest rate to as low as 1%; a deferred payment low interest second mortgage to reduce

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principal and interest payments, or down payment assistance to make financing affordable. The term of the second mortgage cannot exceed the term of the primary financing and shall not exceed 49% of the total indebtedness.

7. The Earthquake Safety Housing Rehabilitation Program provides deferred payment rehabilitation loans to increase the ability of unreinforced masonry multifamily residential structures to withstand earthquakes. Eligibility is limited to structures identified as being potentially hazardous buildings in local government earthquake mitigation plans. A minimum of 70% of residents must be low or moderate income households.

C. Agency Utilization of HCD Programs

State housing funding is awarded on a competitive basis. This Agency has been quite successful in capturing these funds in the past. For example, funding for our new Riverfront development includes a \$900,000 deferred payment loan under the Rental Housing Construction Program. The Sequoia and Ridgeway residential hotel developments have received a total of \$1.8 million in deferred payment loans under the Special User Housing Rehabilitation Program. The deferred payment rehabilitation loan program for homeowners and owners of rental properties is an important source of funding for our Housing Rehabilitation Division. With passage of these bond issues, significantly greater amounts of state funding would become available. Sacramento would be in a good position to compete for additional funding.

One problem we have experienced with HCD programs in the past is the difficulty of merging HCD with other funding when regulations conflict. In this regard it is significant to note that SB 1692 contains a provision which permits a waiver of HCD requirements where there is such a conflict with respect to project eligibility and rent requirements.

FINANCIAL DATA

The recommendation contained in this report will have no direct financial effect on this Agency or the City.

ENVIRONMENTAL REVIEW

Environmental review of the action proposed in this report is not required.

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POLICY IMPLICATIONS

In February 1987 the City Council adopted a policy on state legislation which, among other things, called for increased state funding for low-income housing. SB 1692 and SB 1693 were covered in our November 1987 legislative status report. Support of Proposition 77 and subsequent housing bond issues is therefore considered to be declaratory of existing policy.

RECOMMENDATION

It is recommended that the Law and Legislation Committee send letters of support for Proposition 77 to the Speaker of the Assembly and members of the Legislature representing Sacramento. (See attached for suggested draft letter.)

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

1284M

DRAFT LETTER

ATTACHMENT

TO: ASSEMBLY SPEAKER WILLIE BROWN
FROM: CHAIR, SACRAMENTO CITY LAW AND LEGISLATION COMMITTEE
SUBJECT: SUPPORT FOR PROPOSITION 77 AND SUBSEQUENT LOW INCOME HOUSING BOND ISSUES

Dear Speaker Brown:

This letter is to inform you that the Sacramento City Council strongly supports Proposition 77 and subsequent low income housing bond issues recently authorized by the Legislature. Please take steps to have the City added to the list of Proposition 77 supporters.

The need for additional state funding for low income housing is large and growing. According to estimates by Senator Roberti's office there are almost 790,000 more low income households in California than there are housing units available. In the City and County of Sacramento we estimate that approximately 45,000 low income households are experiencing an unmet housing need. And there is an approximately \$14,000 subsidy gap between the cost of producing market rate housing and the amount low income wage earners can afford to pay.

Looking to the future the situation is not likely to improve without increased state and local government involvement. The fact that rents are increasing faster than incomes in the lower ranges will inevitably increase the demand for more affordable housing. At the same time federal housing programs, the traditional and by far the largest source of housing funding, are in decline and are very likely to remain so no matter which party occupies the White House. The reasons are first that the enormous federal deficit will make it exceedingly difficult to fund new housing programs. Second Federal resources will be increasingly needed to refund expiring long term subsidy commitments. Otherwise units will be lost. For example, in Sacramento City and County there are approximately 9,000 federally subsidized units whose commitments will expire by the first decade of the twenty-first century.

As remarkable as your housing bond achievement is from a practical political standpoint, it is only a small step in addressing the long range housing problem outlined above. I hope you will continue your strong support for low income housing even if these bond measures succeed. This especially includes providing increased new appropriations for housing through the normal budget process.

Thank you for your efforts.

ATTACHMENT

DRAFT LETTER

TO: SACRAMENTO LEGISLATIVE DELEGATION
FROM: CHAIR, SACRAMENTO CITY LAW AND LEGISLATION COMMITTEE
SUBJECT: SUPPORT FOR PROPOSITION 77 AND SUBSEQUENT LOW INCOME HOUSING BOND ISSUES

Dear :

Attached for your information is a copy of my recent letter of support for Proposition 77 and subsequent low income housing bond issues. The need for increased state funding in this area becomes increasingly critical as affordability problems grow and federal resources shrink. I hope you will actively support these bond measures as well as other efforts to increase state financial support for low income housing. This especially includes continuing if not increasing new funding provided annually through the normal budget process.

Thank you for your past support of housing and community development programs. I look forward to your continued support.

Sincerely,